

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 COME-00

IGA-02 FRB-02 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 PA-04 PRS-01 USIA-15 DRC-01 /144 W

----- 100205

R 012017Z JUL 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 7140

C O N F I D E N T I A L BUENOS AIRES 4886

DEPT PASS TREASURY

E.O. 11652: GDS

TAGS: EFIN, AR, CU, ETRD

SUBJ: ARGENTINE TRADE WITH CUBA - ROLE OF US BANKS

REF: A. STATE 134637; B. STATE 125260; C. BA 1897

1. SUMMARY: EMBASSY KNOWS OF NO IMMEDIATE OR DIRECT GOA PRESSURE FOR US BANKS TO PARTICIPATE IN FINANCING CUBA TRADE. HOWEVER ISSUE COULD DEVELOP INTO MAJOR BILATERAL PROBLEM AT ANY TIME WITH ADVERSE REPERCUSSIONS FOR US POLITICAL AND ECONOMIC INTERSTS HERE. BRANCHES AND AFFILIATES OF US BANKS IN ARGENTINA ARE IN MUCH SAME SITUATION AS ARE US AUTO FIRM SUBSIDIARIES. EMBASSY URGES WASHINGTON CONSIDER ALLOWING US BANKS OFFICES LOCATED IN ARGENTINA TO PARTICPATE INFINANCING CONNECTED WITH EXPORTS TO CUBA. END SUMMARY.

2. EMBASSY KNOWS OF NO IMMEDIATE GOA PRESSURE FOR US BANKS TO PARTICIPATE IN FINANCING AUTO EXPORTS TO CUBA. LOCAL OFFICES UF BANKS HAVE NOT RECIEVED ANY DIRECT ORDER FROM OGA ON ISSUE. REPORT CONCERNING RISK OF TOTAL NATIONALIZATION OF US BANKING INTERSTS (STATE 1134657) APPEARS EXAGGERATED AS OF NOW.

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3. HOWEVER EMBASSY BELIEVES POTENTIAL THREAT OF ISSUE TO BE GREAT. GOA COULD ATTACK US, AND US BANK INSTITUTIONS, AT ANY TIME OVER FAILURE US BANKS TO PARTICIPATE IN FINANCING AUTO SALES TO CUBA. SITUATION LIKELY TO BECOME INCREASINGLY HAZARDOUS AS US BANKS RECEIVE ADDITIONAL FINANCING REQUESTS RELATED CUBA TRADE. EVENTUALLY PUBLICITY OR UNFRIENDLY EXPORTER, MAY FORCE GOA HAND ON ISSUE EVEN IF RESPONSIBLE AUTHORITIES WOULD HAVE PREFERRED KEEP PRESSURE DOWN. MORE LIKELY GOA WILL PLY ON ISSUE WHEN IT SUITS POLITICAL NEEDS.

4. FROM CONFIDENTIAL SOUNDINGS WITHIN US BANKS COMMUNITY EMBASSY FINDS GREAT SENSITIVITY ON ISSUE- AND ALSO CONSIDERABLE CONFUSION. ALL BANKS AGREE POTENTIAL OF SITUATION IS VERY SERIOUS AND US BANKS WILL BE SEVERELY PUNISHED IF THEY DO NOT COOPERATE IN FINANCING CUBA TRADE. FNCB LOCAL MANAGER DESCRIBES SITUATION AS "TIME BOMB" EXPLOSION WILL DEFINITELY GO OFF; IT IS JUST A QUESTION OF WHEN. AT LEAST ONE PROBABLY MORE US BANKS HERE ALREADY ARE PROVIDING FINANCIAL SERVICES RELATED CUBAN TRANSACTIONS. MOST EXPECT FUTURE REQUEST AND ARE UNCERTAIN HOW TO RESPOND.

5. EMBASSY WISHES REITERATE THAT "FINANCING" AND "FINANCIAL SERVICES", AS USED IN THIS CONTEXT INVOLVE LOCAL CURRENCY FINANCING ONLY, IN ACCORD WITH ARGENTINE EXPORT PROMOTION PROGRAM AND REGULATIONS. NO FOREIGN CURRENCY FINANCING WOULD BE INVOLVED, NOR WOULD US BANK ENTITY HAVE ANY DIRECT INVOLVEMENT WITH CUBAN ENTITY OR INSTITUTION. UNDER DEPOSIT NATIONALIZATION LAW, PESO RESOURCES FOR LOAN TO EXPORTING ENTITY OBTAINED BY COMMERCIAL BANK VIA PRO FORMA ADVANCES AND REDISCOUNTS FROM CENTRAL BANK. TO SIGNIFICANT DEGREE US BANKS MERELY ACT AS AGENTS OF CENTRAL BANK IN OPERATION S DESIRES BY AUTHORITIES COLLECTING COMMISSION FOR THEIR BANKING SERVICES.

6. EMBASSY BELIEVES WASHINGTON SHOULD RECONSIDER DECISION BLOCKING US BANKS HERE FROM PARTICIPATION IN ABOVE DESCRIBED TYPES OF FINANCING WHEN DESTINATION OF ARGENTINE EXPORT IS CUBA. IN ADDITION POTENTIAL DIPLOMATIC CONFRONTATION ON ISSUE IT IS CLEAR US BANKS WILL SUFFER ECONOMICALLY IF NOT ALLOWED TO PARTICIPATE FINANCING CUBA TRADE. US BANKS WORRIED NOT SO MUCH ABOUT IMMEDIATE PROFIT LOSS, BUT OVER LOSING GOOD CLIENTS WHO

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MAY BE ATTRACTED TO BANKS WHICH ABLE TO PROVIDE FULL RANGE OF SERVICES.

7. ACTION REQUESTED: IN VIEW CONFUSION NOTED ABOVE, EMBASSY REQUESTS WASHINGTON CLARIFICATION ON FOLLOWING POINTS: 1) MAY

US BANKS UNDERTAKE ANY TYPE OF LOCAL CURRENCY FINANCING ON CUBAN TRANSACTIONS UNDER PRESENT REGULATIONS I.E. EITHER PRE-

FINANCING, REGULAR EXPORT FINANCING OR POST FINANCING?

2) IS THERE ANY DISTINCTION BETWEEN FINANCING AN AMERICAN EXPORTER VERSUS AN ARGENTINE OR TO THE FOREIGN EXPORTER?

3) ARE THERE DISTINCTIONS BETWEEN WHAT US BANK BRANCH MAY DO AND WHAT US WHOLLY OR PARTIALLY OWNED BANK SUBSIDIARY MAY DO? 4) DOES WASHINGTON HAVE ANY GUIDANCE REGARDING HOW LOCAL US BANKS SHOULD RESPOND TO FUTURE FINANCING REQUESTS?

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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